

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

a 821

A83B4

exp. 3

Statement of Secretary of Agriculture Bob Bergland
Committee on Agriculture, Nutrition, and Forestry
Subcommittee on Foreign Agricultural Policy
United States Senate
March 13, 1979

Mr. Chairman, I am pleased to have the chance to discuss U.S. agricultural trade with China. The rapid growth of our economic and political relationships with China has been perhaps the most significant development of the past year for U.S. agriculture and its supporting industries. China already has become an important market for U.S. farm commodities, with potential for further growth, and it shows opportunities for development of markets for our agriculture-related industries as well.

I will begin with a note of caution. There is a tendency, when assessing China as a market, to take whatever product you have to sell, multiply it by a billion eager consumers, and start counting the profits. That makes for heady speculation, but it is not being realistic, as the members of the Committee know.

To expand the market for U.S. agricultural products in China will take long-term development, as it has in other new markets, taking account of the technological needs and the cultural, economic and political systems in which the development takes place.

There is a great deal that we don't know about China, but I think we do know enough to understand that it has a solid potential as a growing market for U.S. agriculture. It might be helpful for the Committee if I summarized what we saw and learned in that country last fall and then cite some of the things that are being done to take advantage of the new opening to China

Visit to China

As you know, I visited China last November, heading a delegation that included scientists and marketing specialists from USDA, for discussions on agricultural trade and other forms of cooperation between our two countries. Chinese leaders explained to us their plans to modernize their economy, and we learned that agriculture receives top priority in those plans.

During our 10 days in China, we met both with Minister of Agriculture and Forestry Yang Ligong (Yang Li-kung) and Minister of Foreign Trade Li Qiang (Li Chiang). We had fruitful discussions on agriculture and on trade. In addition, specialists from other ministries and organizations were brought together with our delegation for detailed talks. A most useful discussion on trade and other matters of concern was held with Chinese Vice Premier Li Xiannian (Li Hsien-nien).

Following our talks in Beijing (Peking), we traveled to several parts of China to gain a better impression of current agricultural practices, problems, and needs. We visited communes and other facilities near Beijing (Peking); Shanghai; Chengdu (Cheng-tu) in Szechwan Province; and Guangzhou (Canton).

New Demand on China's Agriculture

The Chinese have developed a system of highly labor-intensive and productive agriculture. In most of the country they harvest two or three crops per year from the same piece of land. About half of their crop land is irrigated. Despite an immense and growing population, food production generally has kept pace--but there is little or no margin for error.

Industrialization and the growth of urban centers, however, have placed new demands on China's agriculture. A faster rate of production increase is needed to facilitate the procurement of grains and other crops from farms for supply to urban areas. The diet consists heavily of grains and vegetables, and the level of per capita availability of some foods, such as vegetable oil, is quite low in comparison with other countries. Programs to boost incentives for workers, particularly industrial workers, will create pressures for greater diversity and improvement of food supplies.

Minister Yang emphasized to us their interest in increasing the role of livestock in China's agricultural production. He discussed plans to develop large, specialized swine and poultry operations near urban areas and also to boost numbers of grazing livestock by carrying out pasture renovation and improvement. These plans have important implications for our agricultural relations with China.

New Market for U.S. Farm Commodities

There are many elements of the new relationship with China, but foremost in importance to our farming community is the potential for expansion in U.S. agricultural exports.

After two years as a major customer for U.S. farm commodities in 1973 and 1974, China virtually quit buying, and purchases remained at low levels for the next three years. The Chinese resumed buying U.S. grain in April last year, and our agricultural exports to China already have climbed to substantial levels. U.S. grain sales to China since they resumed in April 1978 have reached 7.4 million metric tons, including 4.4 million tons of wheat and 3.0 million tons of corn. China also has purchased more than 711 thousand bales of U.S. cotton, and 118 thousand metric tons of U.S. soybeans, as well as 62.5 thousand metric tons of soybean oil.

We expect that agricultural exports to China--which topped \$600 million in 1978-- will increase further in 1979, to perhaps as much as \$1 billion. Contracted deliveries already exceed \$500 million.

Prior to the recent improvement in our relations, culminating in the normalization of diplomatic relations, we could not have counted on continuing trade with China at these levels. Most likely, our trade would have continued to stagnate at low levels in most years. At best, we were a residual supplier.

Based on our discussion in Beijing (Peking) and subsequent developments, we believe that China will be a regular and significant buyer of U.S. grains and cotton. We

have been told that China will be importing some 10 million tons of grain annually, of which the U.S. share may be 5 to 6 millions tons. Recent agreements between the Chinese and other grain suppliers--Australia and Canada--suggest that China's grain imports over the next several years will exceed 10 million tons yearly. These agreements call for China to purchase a total of 7.5 million tons from Australia and 8.4 to 10.5 million tons from Canada over the next 3 years.

Wheat has dominated past Chinese grain imports, but their plans to develop a livestock industry--and this year's purchases--suggest that corn may be important, as well, in future imports. Sales of soybeans and products also are likely. We expect that further increases in agricultural trade will occur as China's modernization proceeds and overall trade increases.

As the first step in market development, Assistant Secretary Hathaway will lead a team of specialists from selected market development cooperator organizations to China, beginning March 15. The members of the team will discuss with Chinese officials commodity and technical requirements for agricultural modernization and seek to further the establishment of direct ties between the cooperator groups and the appropriate Chinese institutions.

The cooperator members of the team--there are seven of them--were selected to meet specific Chinese requests for assistance. Organizations represented are the American Soybean Association, U.S. Feed Grains Council, American Seed Trade Association, Western Wheat Associates, U.S.A., Inc.; National Renderers Association, the California fruit cooperators, and the livestock cooperators.

We expect that many of the associations in the Agricultural Cooperator Council for Market Development will be hosts to Chinese delegations who want to learn more about availability and use of U.S. agricultural commodities in modern agricultural systems. We also expect that these associations and others engaged in agricultural exporting will have the opportunity to participate in trade shows, seminars and other market development activities in China.

Minister Yang and other Chinese officials stressed to us the importance they place on protecting China's production base through appropriate inspection and quarantine procedures. They emphasized their particular concern about TCK smut on wheat. We assured them of our willingness to consult closely on this matter and are developing procedures to better respond to China's concerns.

Trade will not be entirely one-sided, of course. We expect an increase in exports of some Chinese agricultural products to the United States. However, we expect the balance of benefits in agricultural trade to be greatly in our favor. U.S. agricultural imports from China in 1978 totaled \$84 million, with hog bristles, nuts and silk the principal products.

Agricultural Exchanges Initiated

When we met with Chinese officials in November, the establishment of a program of exchanges and cooperation in agricultural science, education, economics, and information was high on the agenda. We agreed on the reciprocal exchange of study teams in 1979 in three areas: 1) germ plasm of agricultural crops; 2) biological control of pests; and 3) livestock and veterinary science. These topics are of great interest to our research scientists, as well as to the Chinese.

The Chinese also plan to send a study team in agricultural education and a research team in soil survey techniques. In turn, we are considering teams in forestry and other areas of interest to U.S. scientists.

In addition to the exchange of study groups on specified topics, we have agreed to facilitate the exchange of individual students and scientists between our two countries, and to provide lists of schools and research institutions with programs in particular areas of interest. The first reciprocal visits are expected to take place in June.

While in Peking, we discussed the role of agricultural statistics in each of our countries. We expect to receive a Chinese study team on agricultural statistics this year and in turn, to send a delegation on this subject to China. We have the impression that the Chinese are sincerely interested in improving the data available in their statistical system and that more statistical information on Chinese agriculture may become available in the not-too-distant future. Dependable statistics from this large agricultural producer would greatly enhance our work in supply/demand analysis.

Market for Agricultural Technology

China's drive to modernize its economy offers opportunities besides agricultural commodity trade to business firms in our food-and-fiber sector. In November the Chinese discussed with us six areas where they are looking to foreign firms, particularly U.S. firms, for technological development help. The areas are agricultural machinery, pesticides, seeds and seed processing, feed processing and use, plastics for agricultural use, and the food processing industry. That list takes in a good share of our agribusiness industries.

We understand from our talks that these arrangements could include purchase of know-how, equipment, parts, products, or plants; or they could include joint design or manufacture, including possible use of U.S. investments.

The Chinese will need credit for the increase in purchases of plants and equipment, at least in the short-term. China has followed conservative borrowing practices in the past and enjoys a good reputation with lenders. Longer term credits likely would be available both through government programs and private banks.

Assuming China makes extensive use of credits for investment financing, then shorter-term commodity credits also could become more attractive to the Chinese. Under the Agricultural Trade Act of 1978, we have authorization to offer CCC credit to China.

Increased exports by the Chinese will provide additional foreign exchange, although the rate of growth is uncertain.

Government Action

As the members know, full participation in the trade opportunities offered by our growing relations with China requires government action on several issues. A solution has been worked out on the issues of private claims and frozen assets. The negotiation of a commercial agreement, the granting of most-favored-nation treatment, and the establishment of eligibility for Export-Import Bank credits are among those that remain.

The foundation is being put in place, and there is momentum now for the further growth of our agricultural trade and other relations with China. But growth will not be automatic; it will require active participation by the Executive and the Legislative branches of government and by the U.S. agricultural community.

Not every enterprise will succeed. There are limits on the ability of the Chinese to get the foreign exchange required to move as far and as fast as we--and they--might like them to in modernizing their agricultural plant. There will be constraints imposed by the ability of the economy to rapidly absorb new technologies.

But the leadership is determined to proceed, and that means a great many opportunities, now and in the future, for sales of U.S. agricultural products and agricultural technology to China.

Agricultural Trade with Taiwan

While moving to seize the opportunities provided by establishment of full diplomatic relations with China, we have taken special care to preserve our agricultural trade ties with Taiwan. This island community has been a phenomenal growth market for U.S. agriculture in recent years, and we expect this trend to continue.

U.S. agricultural exports to Taiwan last calendar year totaled \$825 million, and we expect them to reach a billion dollars this year. Grains, soybeans, cotton and animal hides have been our leading exports to Taiwan. Our three market development cooperator offices there continue to operate--the U.S. Feed Grains Council, Western Wheat Associates and the American Soybean Association. Essentially it is "business as usual" in the private sector during the transition of our relations with Taiwan as set forth in the President's memorandum of December 30.

As you know, Congress has been asked to approve legislation authorizing the funding of the American Institute in Taiwan and confirming its authority to act in a wide range of areas, now that there is no longer an American Embassy in Taiwan. The Institute, a private, nonprofit corporation with headquarters here and field offices in Taiwan, would provide all the commercial and other services previously provided through official channels to U.S. and Taiwan business people. U.S. agriculture would be represented on the Institute's staff.

We in agriculture hope that the interim funding of Institute activities will be cleared up soon and that passage of the authorizing legislation can be expedited so that both government and private agricultural enterprise can get on to the task of further expanding this excellent market.

#

USDA 591-79

U.S. DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C. 20250

OFFICIAL BUSINESS

Penalty for Private Use, \$300



POSTAGE & FEES PAID
United States Department of Agriculture
AGR 101

U.S. DEPT. OF AGRICULTURE
NAT'L AGRIC. LIBRARY
RECEIVED

APR 16 '79

PROCUREMENT SECTION
CURRENT SERIAL RECORDS